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 Comment. The currency system which the Chinese Communists have developed has, from the viewpoint of the Chinese Communist regime, attained some measure of success. In the history of China, few regimes have ever been able to give the country a unified currency. However, certain phenomena still prevail within China in respect to her currency system and its relation to monetary systems of other countries. Among these are:

- a. The love of gold and silver, which has a strong hold on the minds of the people, although they do not hold any significant amounts of the precious metals. Consequently, a black market in gold and silver still exists on the China mainland, with rates about 20 percent greater than the official prices set by the Chinese Communists.
- b. A lack of complete trust in the jen min p'iao currency by the people. However, since it is the only legal currency, they have to use it as a medium of exchange.
- c. Rigid control by the Chinese Communists over the issue and circulation of jen min p'iao. Organizations of provincial grade cannot pay more than JMP 100,000 in currency at any one time; if the transaction is for a greater sum, it must be paid by check or bill. The general public, the peasants and workers, usually hold several tens of thousands of jen min p'iao each in their possession at all times.
- d. Existence of black market rates of exchange between jen min p'iao and foreign currencies. This occurs because merchants require foreign exchange to do business, but are unable to obtain it from

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 SECURITY INFORMATION

25X1A

-2-

the government at the legal rate of exchange. Consequently, they are willing to buy it on the black market at a premium price. The official rate of jen min p'iao with the Hong Kong Dollar is HK\$ 1 per JMP 3,880, but the black market rate at the end of January 1952 was HK\$ 1 per JMP 4,500.

- e. Jen min p'iao has no value with respect to Chinese Communist trade with the USSR and Eastern Europe; this trade is conducted on a barter basis, or valuations are made in U.S. Dollars. This is also true with respect to Chinese Communist trade with the Democratic Republic of Vietnam (DRV) and India.

This outline covers only currency issues released by comparatively large organizations (generally comparable to provincial currency issues) and which were issued in substantial amounts. In addition, a number of other currencies have been issued by smaller banks. The amount of these issues was small (less than 100,000 silver dollars each) and they circulated in limited areas (one to five hsien). Examples of these issues are the Central Kiangsu Currency which circulated in the Huaiyin (淮陰) area and the Nan Fang (南方) Currency, which circulated in the Swatow-Chaochou area of Kwangtung. The Chinese Communists currency system was unified in October 1951, and since that time only one type of currency, jen min p'iao, has been circulating throughout China. This report outlines the history of Chinese Communist currency from 1932 until October 1951.

1. The first monetary system adopted by the Chinese Communists was the Essential Goods Standard (石物本位制), which had the following characteristics:
 - a. It was entirely independent of gold and silver, and neither was used as reserves for currency issues. Consequently, the Essential Goods Standard was not affected by price fluctuations of gold and silver in the international market.
 - b. The security for the currency issue was food supplies, cotton cloth, essentials of livelihood and supplies for production held by the Soviet.
 - c. The value of the jen min p'iao would be the average value of a number of commodities. Outside the Soviet areas, the value of this currency would be based on its internal value, i.e. the internal value would stabilize the external value.
 - d. Currency circulation would be controlled by the production of national economic enterprises. Hence, the economic foundation of this monetary system would be integrated with the political situation of the Soviet areas.
2. The first Chinese Communist notes were issued on 7 November 1931. These banknotes were issued by the National Bank for the Chinese Soviet Republic, which the government, organized by CHU Te and MAO Tse-tung at Juichin, had founded. The Hunan-Hupeh-Kiangsi Provincial Industrial and Farmers Bank and the Fukieh-Chekiang-Kiangsi Provincial Soviet Bank separately issued bank notes in 1932. (At this time there was also a small coinage of silver, but this occurred only once). These three currencies were not in general circulation but were only barely negotiable in the Soviet areas. These banknotes lost all their value when the Red Army left Kiangsi Province on the Long March in October 1934.
3. Ten varieties of banknotes were issued in different Chinese Communist-controlled areas between 1938 and 1948, after the Communists had established themselves in the Shensi-Kansu border area. These were:

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25X1A

SECURITY INFORMATION

-3-

- a. Shensi-Kansu-Ningsia Border Area Currency, issued in 1938 by the Shensi-Kansu-Ningsia Border Areas Bank. It circulated in the Shensi-Kansu-Ningsia border area.
- b. South Hopeh Currency, issued in 1939 by the South Hopeh Bank. It circulated in the Shansi-Hopeh-Shantung-Honan liberated areas.
- c. Chungchou Currency, issued in 1940 by the Chungchou (中州) Bank. It circulated in the Chungyuan (中原) liberated area.
- d. Pei Hai Currency, issued in 1941 by the Pei Hai Bank. It circulated in the East China liberated area.
- e. Hua Chung Currency, issued in 1942 by the Hua Chung (華中) Bank, also known as the Central China Bank. It circulated in the Kiangsu-Anhwei liberated areas.
- f. Northwest Farmers Currency, issued in 1943 by the Northwest Farmers Bank. It circulated in the Shansi-Suiyuan border areas.
- g. Shansi-Charhar-Hopeh Border Areas Currency, issued in 1943 by the Shansi-Charhar-Hopeh Border Areas Bank. It circulated in the Shansi-Charhar-Hopeh border areas.
- h. Changcheng Currency, issued in 1944 by the Changcheng (長城) Bank. It circulated in the Hopeh-Charhar-Jehol-Liaoning border areas.
- i. Kwantung Currency, issued in 1947 by the Kwantung (關東) Bank. It circulated in the Port Arthur and Dairen areas.
- j. Northeast Currency, issued in 1947 by the Northeast Bank. It circulated in the Northeast liberated areas.

The Chinese Communists called this currency situation one of "Multi-issues." By 1948 with many types of banknotes circulating within Chinese Communist-controlled areas, there were different values at different places, and no uniform rates for convertibility had been established.¹

- 4. The Chinese Communists called a "Liberated Areas Joint Finance Meeting" at Shihchiachuang (114-28, 38-02) in 1948. At this meeting it was decided to establish the People's Bank of China, and to unify the currency issue. As a result, jen min p'iao was issued in December 1948 and placed in circulation. Since 1949 jen min p'iao has been the basic currency, and local currencies have been collected in exchange for jen min p'iao.
 - a. The first collection of local currency in exchange for jen min p'iao was made in 1948, when Shensi-Kansu-Ningsia Border Areas Currency was taken from circulation. Four more local currencies were removed from circulation between December 1948 and January 1949, at the following rates of exchange:
 - JMP 1 for 100 units of South Hopeh Currency
 - JMP 1 for 100 units of Pei Hai Currency
 - JMP 1 for 1,000 units of Shansi-Charhar-Hopeh Border Areas currency
 - JMP 1 for 2,000 units of Northeast Farmers Currency.
 - b. Further steps to consolidate the currency issue were taken as the Communist armies continued their southward march and crossed the Yangtse. In February 1949 Changcheng Currency was absorbed into Northeast Currency, and at the same time a standard exchange rate of 1,000 units of Northeast Currency per JMP 1 was established. In May 1949 Hua Cheng Currency (also known as Central China Currency) was removed from circulation at an exchange rate of JMP 1 per 1,000 units of Hua Cheng Currency. In November 1949 Chungchou Currency was removed from circulation at the rate of JMP 1 per 3 units of Chungchou Currency.

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~~SECRET~~

SECURITY INFORMATION

25X1A

-4-

By the end of 1949 the number of currencies circulating in Communist-controlled areas had been reduced to three: jen min p'iao, North-east Currency, and Kwantung Currency.

- c. The trend toward unification of the currency system was temporarily reversed with the issuance of two additional local currencies. The Inner Mongolia People's Bank issued Inner Mongolia Local Negotiable Notes in 1949, and the Sinkiang People's Bank issued Sinkiang Local Notes in 1950.²
5. When the Communists had occupied all of mainland China, they started to collect Kuomintang (KMT) Chin Yuan (金圓) Notes (Gold Yuan) and the Yin Yuan (銀圓) Notes (Silver Yuan 3). This collection was made first in six major cities under the pretext of taking care of the people's livelihood in the Kuo T'ung (國統) Areas, (former KMT-controlled areas).
 - a. In Tientsin, collection was made during a one-month period in January 1949 at the rate of JMP 1 per 6 units of Chin Yuan Notes.
 - b. In Peiping, collection was made during a one-half-month period in February 1949 at the rate of JMP 1 per 10 units of Chin Yuan Notes.
 - c. In Nanking, collection was made during a 10-day period in April 1949 at the rate of JMP 1 per 2,500 units of Chin Yuan Notes.
 - d. In Shanghai, collection was made during a six-day period in May 1949 at the rate of JMP 1 per 100,000 units of Chin Yuan Notes.
 - e. In Canton, collection was made in February 1950 at the rate of JMP 1 per 1,500 units of Yin Yuan Notes.
 - f. In Chungking, collection was made in March 1950 at the rate of JMP 1 per 100 units of Yin Yuan Notes.⁴
6. Progress toward unifying the currency issue was resumed in 1950, when the following steps were taken:
 - a. The Government Administration Council (GAC) ordered the Northeast People's Government in June 1950 to collect Kwantung Currency and remove it from circulation. It exchanged at the rate of 270 units of Northeast Currency for 1 unit of Kwantung Currency.
 - b. In April 1951 the People's Bank of China began to remove Northeast Currency from circulation. During April, Northeast Currency was allowed to circulate, or could be exchanged for jen min p'iao at the rate of JMP 1 per 1,000 units of Northeast Currency. The period for exchanging Northeast Currency for jen min p'iao was continued until 31 May, but the circulation of Northeast Currency was not permitted after 30 April.
 - c. Also in April 1951 the People's Bank of China began to remove Inner Mongolia Negotiable Notes from circulation. They were exchanged at the rate of JMP 1 per 9 units of Inner Mongolia Negotiable Notes for the period 1 April to 1 June, but Inner Mongolia Negotiable Notes were permitted to circulate until 31 July 1951.
 - d. In October 1951 the GAC decided to remove the notes issued by the Sinkiang People's Bank from circulation. At the same time, however, they issued Wei Wu Erh Wen (維吾爾文) People's Currency for circulation within Sinkiang. Wei Wu Erh Wen People's Currency was put into circulation at the rate of 1 unit per JMP 1. The notes issued by the Sinkiang People's Bank were exchanged for either jen min p'iao or Wei Wu Erh Wen People's Currency at the rate of 1 unit of Sinkiang Local Negotiable Notes per 350 units of jen min p'iao or Wei Wu Erh Wen People's Currency.

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SECURITY INFORMATION

-5-

25X1A

- 25X1A 1. [] Comment. This situation was inevitable. Since the Chinese Communist-occupied areas were not coordinated or unified, it was impossible to standardize the currency system. At the same time, however, the Communists had no means of meeting their general expenses except through the medium of banknotes.
- 25X1A 2. [] Comment. The issuance of these currencies was necessary because of the racial minority groups in those areas and because prices in those areas were unstable.
- 25X1 3. [] Comment. The Yin Yuan (Silver Yuan) Notes here mentioned and in sub-paragraphs e and f were probably the new issue of May 1949 which in some areas replaced the Chin Yuan (Gold Yuan) Notes issued August 1948. This Yin Yuan is not to be confused with the Chinese National Currency (CNC) which the Chin Yuan replaced.
- 25X1 4. [] Comment. These rates show the sudden rise of value of jen min p'iao (and conversely, the decrease in value of Chin Yuan Notes), and the shortened period for collection. The difference in rates of exchange for Yin Yuan Notes in Canton and Chungking resulted because many of these notes were circulating in Canton, while a few existed in Chungking.

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